

***Report on Governor's Budget Balancing Task Force***

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N.M. Taxation and Revenue Department**

**Presented to the  
Revenue Stabilization and Tax Policy Committee**

**Fifth Meeting in 2009  
November 25, 2009**

# ***Report on Governor's Budget Balancing Task Force***

## **Overview**

**My presentation today will cover:**

### **1. The Task Force**

- **Its charge**
- **Membership**
- **Schedule of meetings**
- **Web site**
- **Final Report to the Governor**

### **2. Options the Task Force is analyzing**

## ***Report on Governor's Budget Balancing Task Force***

### **Charge of the Task Force**

- **The charge of the Task Force is to provide the Governor serious analysis, consisting of pros and cons, of a variety of revenue options that:**
  - **Improve state's tax system;**
  - **Are consistent with good tax policy;**
  - **Maintain the competitiveness of New Mexico's economy; and**
  - **Have the potential to help address the State's long-term solvency**
- **The Task Force is to seek public input on the following revenue options:**
  - **Gross receipts and compensating tax;**
  - **Taxes on tobacco, liquor, insurance premiums and motor vehicles;**
  - **Personal and corporate income taxes and withholding taxes;**
  - **Taxes on oil, natural gas, coal and uranium;**

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### **Charge of the Task Force – Cont.**

- **Tax compliance and administration rules; and**
- **Rules defining business incentive tax credits and requirements for their systematic evaluation**
- **Meet at least three times in public session and provide opportunity for public comment**
- **Complete its work and provide a report to the Governor by December 21, 2009**
- **Members of the Task Force serve as volunteers and receive no pay or reimbursement for travel or meals**

### **Membership of the Task Force**

- **The 42 members of the Task Force represent business, labor, local government, health care, religious and environmental groups, higher education, transportation and nonprofits**
- **Rick Homans, Secretary of the Taxation and Revenue Department, is the Chair of the Task Force**
- **A list of all Task Force members and their affiliations is attached**

# ***Report on Governor's Budget Balancing Task Force***

## **Schedule of Meetings**

- **The Task Force is meeting five times:**

<b>Date</b>	<b>Time</b>	<b>City</b>	<b>Location</b>
November 16th (Monday)	1:00 p.m. – 5:00 p.m.	Santa Fe	Santa Fe Community College Jemez Room 6401 S Richards Avenue
November 19th (Thursday)	1:00 p.m. – 5:00 p.m.	Albuquerque	Expo New Mexico Alice K. Hoppes African American Pavilion 300 San Pedro Drive NE
December 1st (Tuesday)	1:00 p.m. – 5:00 p.m.	Las Cruces	Farm and Ranch Museum Tortugas Room 4100 Dripping Springs Road
December 10th (Thursday)	1:00 p.m. – 5:00 p.m.	Farmington	Civic Center Meeting Room C 800 Municipal Drive
December 17th (Thursday)	1:00 p.m. – 5:00 p.m.	Santa Fe	Santa Fe Community College Jemez Room 6401 S Richards Avenue

## **Web Site**

- **The Task Force has established a web site:**  
[www.nmrevenueoptions.com](http://www.nmrevenueoptions.com)
- **This web site contains:**
  - **A list of Task Force members**

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### **Web Site – Cont.**

- **The schedule and agendas for all Task Force meetings**
- **A page that allows the Public to submit thoughts and comments to the Task force**
- **All of the presentations made at Task Force meetings**

### **Final Report to the Governor**

- **The Task Force's Final Report to the Governor will include:**
  - **The membership list of the Task Force**
  - **Agendas and minutes of all meetings**
  - **Copies of all presentations made to Task Force**
  - **Catalog of various revenue options, listing pros and cons of each option as provided by Task Force members and public input**
  - **Press coverage**

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### **Options the Task Force is Analyzing**

- **The table on the following pages lists all of the options that the Task Force is analyzing**
- **Revenue estimates are provided for the options that have already been considered, which are summarized below**
- **Full analyses are posted on the Task Force's web site**

## Report on Governor's Budget Balancing Task Force

Option	Estimated Revenue Impact (000)							Fund(s) Affected
	Effective	FY10	FY11	FY12	FY13	FY14	FY10-14	
<b>Gross Receipts and Compensating Taxes</b>								
1. Increase rates								
1a. Increase rates .25%	7-1-10	0	126,000	132,000	139,000	146,000	543,000	General Fund
1b. Increase rates .5%	7-1-10	0	252,000	264,000	278,000	292,000	1,086,000	General Fund
1c. Increase rates 1%	7-1-10	0	506,000	529,000	556,000	584,000	2,175,000	General Fund
2. Increase rates 1% with credit for local rates (no tax increase inside municipalities)	7-1-10	0	113,000	118,000	125,000	131,000	487,000	General Fund
		0	1,600	1,700	1,800	1,900	7,000	Local Govts
3. Make compensating tax apply to sales in New Mexico	7-1-10	0	13,200	13,800	14,500	15,300	56,800	General Fund
		0	2,900	3,000	3,200	3,300	12,400	Municipalities
		0	1,800	1,900	2,000	2,100	7,800	Counties
		0	17,900	18,700	19,700	20,700	77,000	Total
4. Make New Mexico purchaser’s location the place of business for out-of-state sellers with no NM place of business or without nexus in NM and apply local option rates for compensating tax	7-1-10	0	(16,000)	(17,000)	(18,000)	(19,000)	(70,000)	General Fund
		0	71,000	74,000	78,000	82,000	305,000	Municipalities
		0	24,000	25,000	27,000	28,000	104,000	Counties
		0	79,000	82,000	87,00	91,00	339,000	Total
5. Change tax treatment of food and associated “hold harmless” distributions:								
5a. Repeal deduction and all hold harmless distributions	7-1-10	0	228,000	239,000	250,000	262,000	979,000	General Fund
		0	0	0	0	0	0	Municipalities
		0	0	0	0	0	0	Counties
5b. Repeal deduction, 5% credit, retain 1.225 hold harmless distribution	7-1-10	0	68,000	71,000	76,000	79,000	294,000	General Fund
		0	0	0	0	0	0	Municipalities
		0	0	0	0	0	0	Counties
5c. Repeal deduction, 5% credit, repeal all hold harmless distributions	7-1-10		104,000	109,000	115,000	120,000	448,000	General Fund
			(36,000)	(38,000)	(40,000)	(42,000)	(155,000)	Municipalities
		0	0	0	0	0	0	Counties



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Option	Estimated Revenue Impact (000)							Fund(s) Affected
	Effective	FY10	FY11	FY12	FY13	FY14	FY10-14	
5d. Retain current deduction and hold harmless distributions, but separately tax “junk food”	7-1-10							
6. Expand LICTR and low- and middle-income exemption to mitigate effect of changes in tax treatment of food or other changes to the gross receipts tax or excises	1-1-10	0	0	(21,749)	(22,126)	(22,509)	(66,384)	General Fund
7. Include motor fuels in gross receipts tax base:								
7a. GRT on gasoline	7-1-10	0	98,700	98,700	98,700	98,700	394,800	General Fund
		0	49,450	49,450	49,450	49,450	197,800	Municipalities
		0	16,350	16,350	16,350	16,350	65,400	Counties
		0	11,200	11,200	11,200	11,200	44,800	Pueblos/Tribes
7b. 5% special fuel (diesel)	7-1-10	0	68,750	68,750	68,750	68,750	275,000	General Fund
7c. Combine 7a and 7b	7-1-10	0	167,450	167,450	167,450	167,450	669,800	General Fund
8. Repeal gross receipts tax exemption for receipts of insurance companies not subject to insurance premium tax	7-1-10							General Fund
								Municipalities
								Counties
								Total
Motor Vehicle Excise								
9. Increase rate								
9a. Increase rate 1%	7-1-10	0	33,300	34,300	35,300	36,400	139,300	General Fund
9b. Increase rate 2%	7-1-10	0	66,600	68,600	70,600	72,700	278,500	General Fund
9c. Increase rate 3%	7-1-10	0	99,800	102,800	105,900	109,100	417,600	General Fund
9d. Increase rate to average GRT rate	7-1-10	0	136,400	140,500	144,700	149,100	570,700	General Fund
Insurance Premium Tax								
10. Increase rate on health								

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Option	Estimated Revenue Impact (000)							Fund(s) Affected
	Effective	FY10	FY11	FY12	FY13	FY14	FY10-14	
insurance premiums								
10a. Increase rate 1%	1-1-11	0	19,200	42,300	46,500	51,200	159,200	General Fund
10b. Increase rate 2%	1-1-11	0	38,400	84,600	93,000	102,400	318,400	General Fund
10c. Increase rate 3%	1-1-11	0	57,600	126,900	139,500	153,600	477,600	General Fund
10d. Increase rate to average GRT rate	1-1-11	0	59,500	131,100	144,100	158,700	493,400	General Fund
<b><i>Tobacco Taxes</i></b>								
11. Increase rate and adjust distributions and stamp discounts								
11a. Increase rate	7-1-10							
\$.50/pack	7-1-10							
11b. Increase rate								
\$1.00/pack								
12. Increase Tobacco Products Tax								
12a. Increase rate to 40%	7-1-10							
12b. Rate equal to tobacco excise rate (with \$.50 increase) + MSA rate on basis of tobacco content	7-1-10							
12c. Rate equal to tobacco excise rate (with \$1.00 increase) + MSA rate on basis of tobacco content	7-1-10							
13. Repeal tax-exempt stamp provisions and make distributions to Nations, tribes and pueblos	7-1-10							
<b><i>Liquor Excise Tax</i></b>								
14. Apply uniform rate to spirits, wine and beer based on alcohol content								
14a. Single rate on alcohol content of each product	7-1-10							

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Option	Estimated Revenue Impact (000)							Fund(s) Affected
	Effective	FY10	FY11	FY12	FY13	FY14	FY10-14	
14b. Rates on spirits, wine and beer that are equal based on average alcohol content	7-1-10							
<b>Personal Income Tax (PIT)</b>								
15. Increase PIT rates:								
15a. 1% surtax beginning at \$100K (J and HoH), \$50K (MFS), \$67K (S)	1-1-10	7,783.8	74,641.8	85,118.3	78,652.3	84,958.4	331,154.6	General Fund
15b. 1% surtax beginning at \$150K (J and HoH), \$75K (MFS), \$100K (S)	1-1-10	5,085.5	56,052.4	64,614.6	59,819.6	64,886.1	250,462.2	General Fund
15c. 1% surtax beginning at \$250K (J and HoH), \$125K (MFS), \$167K (S)	1-1-10	3,140.1	41,282.2	48,060.1	44,523.4	48,493.2	185,499.0	General Fund
15d. 1% surtax beginning at \$500K (J and HoH), \$250K (MFS), \$333K (S)	1-1-10	1,692.4	28,115.1	32,923.5	30,452.8	33,320.8	126,504.6	General Fund
15e. 1% surtax beginning at \$100K (J and HoH), \$50K (MFS), \$67K (S)	1-1-11	0	64,446.4	72,769.9	78,652.3	84,958.4	300,827.0	General Fund
15f. 1% surtax beginning at \$150K (J and HoH), \$75K (MFS), \$100K (S)	1-1-11	0	48,231.6	55,051.5	59,819.6	64,886.1	227,988.8	General Fund
15g. 1% surtax beginning at \$250K (J and HoH), \$125K (MFS), \$167K (S)	1-1-11	0	35,375.4	40,765.1	44,523.4	48,493.2	169,157.1	General Fund
15h. 1% surtax beginning at \$500K (J and HoH), \$250K (MFS), \$333K (S)	1-1-11	0	23,954.9	27,732.2	30,452.8	33,320.8	115,460.7	General Fund
16. Reduce capital gains deduction								
16a. Reduce deduction to 25%	1-1-10							

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Option	Estimated Revenue Impact (000)							Fund(s) Affected
	Effective	FY10	FY11	FY12	FY13	FY14	FY10-14	
16b. Reduce deduction to 25% pro rata over \$250K to \$450K (J and HoH), \$125K to \$225K (MFS), \$167K to \$300K (S)	1-1-10							
16c. Reduce deduction to 25%	1-1-11							
16d. Reduce deduction to 25% pro rata over \$250K to \$450K (J and HoH), \$125K to \$225K (MFS), \$167K to \$300K (S)	1-1-11							
17. Repeal itemized deduction for state and local taxes (adjusted pro rata for the limitation on itemized deductions)								
17a. Effective 1-1-10	1-1-10							
17b. Effective 1-1-11	1-1-11							
18. Simplify PIT	1-1-10	0	0	0	0	0	0	General Fund
<b>Corporate Income Tax (CIT)</b>								
19. Mandate combined reporting	1-1-11							
19A. Decouple from federal bonus depreciation, domestic production activities deduction and CODI								
19Aa. Effective 1-1-10	1-1-10							
19Ab. Effective 1-1-11	1-1-11							
20. Enact new, low-rate franchise tax based on property, payroll and sales in New Mexico above high thresholds								

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<b>Option</b>	<b>Estimated Revenue Impact (000)</b>							<b>Fund(s) Affected</b>
	<b>Effective</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY10-14</b>	
20a. Raise \$100 million/year and phase out CIT	1-1-10							
20b. Raise \$50 million/year, no change in CIT	1-1-10							
20c. Raise \$100 million/year and phase out CIT	1-1-11							
20d. Raise \$50 million/year, no change in CIT	1-1-11							
<b><i>Income Tax Withholding</i></b>								
21. Tighten rules for pass-through entity (PTE) and oil and gas proceeds withholding on nonresidents, and require PTE quarterly payments	1-1-11							
<b><i>Estate Tax</i></b>								
22. Decouple estate tax from federal credit (using IRC section 2011 rate structure)								
22a. Effective 1-1-10	1-1-10							
22b. Effective 1-1-11	1-1-11							
<b><i>Oil and Gas Taxes</i></b>								
23. Increase Emergency School Tax rate on oil from 3.15% to 4%								
23a. Effective 1-1-10	1-1-10							
23b. Effective 7-1-10	7-1-10							
23A. Reduce severance tax rate on oil and natural gas 1% and increase emergency school tax rate								

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Option	Estimated Revenue Impact (000)							Fund(s) Affected
	Effective	FY10	FY11	FY12	FY13	FY14	FY10-14	
by 1%	1-1-10							
23Aa. Effective 1-1-10	7-1-10							
23Ab. Effective 7-1-10								
24. Add graduated rates based on benchmark oil and natural gas prices								
24a. Effective 1-1-10	1-1-10							
24b. Effective 7-1-10	7-1-10							
<b>Uranium and Coal Taxes</b>								
25. Increase rates on uranium to levels comparable to rates on other energy resources	7-1-10							
25a. Raise rate to effective rate on oil	7-1-10							
25b. Raise rate to effective rate on natural gas	7-1-10							
25c. Raise rate to effective rate on coal								
26. Repeal coal surtax exemption								
26a. Effective 1-1-10	1-1-10							
26b. Effective 7-1-10	7-1-10							
<b>Business Incentive Credits</b>								
27. Adopt uniform language that addresses the goal of the credit, the base for the credit, performance standards, recapture, etc.	1-1-11							
28. Require additional reporting by credit recipients, making information on recipients public, periodic reports on effectiveness in meeting	1-1-11							

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Option	Estimated Revenue Impact (000)							Fund(s) Affected
	Effective	FY10	FY11	FY12	FY13	FY14	FY10-14	
goals								
<b><i>Tax Compliance</i></b>								
29. Provide TRD broad authority to reallocate receipts, income, deductions, exemptions, and other items among entities to properly reflect tax liabilities and credits	7-1-10							
30. Increase penalties for failure to file or pay liabilities and for willful evasion	7-1-10							
31. Expand requirements for information reporting and special payment rules	7-1-10							
32. Require in-state contractors to post bonds	7-1-10							
33. Require State and local governments to collect and remit tax on contracts	7-1-10							
34. Increase administrative fee to cover all distributions to local governments	7-1-10							

# ***Report on Governor's Budget Balancing Task Force***

## **MEMBERSHIP OF TASK FORCE**

### **Chair**

Rick Homans, Cabinet Secretary, New Mexico Taxation and Revenue Department

### **Task Force Members**

Carolyn Abeita, Regent, University of New Mexico

Steve Anaya, Executive Vice President, Realtors Association of New Mexico

Richard Anklaam, President and Executive Director, New Mexico Tax Research Institute

Odes Armijo-Caster, President, Renewable Energy Industries Association

Bob Barberousse, Cigar Association of America

Kathi Bearden, Former Publisher, Hobbs News-Sun

Jim Berry, President and Chief Executive Officer, Las Cruces Chamber of Commerce

Charles Bowyer, Executive Director, National Education Association

Carter Bundy, Legislative Director, American Federation of State and Municipal Employees

Gayla Brumfield, Mayor, City of Clovis

Don Chalmers, Principal Dealer, Don Chalmers Ford

Rick Clemente, Production Central Albuquerque

Terri L. Cole, President and Chief Executive Officer, Greater Albuquerque Chamber of Commerce

Caren Cowan, Executive Director, New Mexico Cattle Growers Association

Pat D'Arco, Chairman, Rio Rancho Planning & Zoning Board

Diane Denish, Lieutenant Governor, State of New Mexico

Bill Fulginiti, Executive Director, New Mexico Municipal League

Leo Garza, Legislative Committee Chair, AARP New Mexico

Jackson Gibson, Member, District 6, Transportation Commission

Leland Gould, Director of Government Affairs, Western Refining

Jami Grindatto, Corporate Affairs Director, Intel



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## **MEMBERSHIP OF TASK FORCE – CONT.**

Paul Gutierrez, Executive Director, New Mexico Association of Counties

Jim Hinton, President, Presbyterian Health Services

Ruth Hoffman, Director, Lutheran Advocacy Ministry - New Mexico

John Horton, Director, Public Policy and Government Relations, Associated General Contractors

Bill Jordan, Policy Director, Voices for Children

Leanne Leith, Political and Programs Director, Conservation Voters New Mexico

Sharon Lombardi, Executive Director, Dairy Producers of New Mexico

Raymond Mondragon, Chair, New Mexico Economic Development Partnership

Bob Murphy, Executive Director, Economic Forum of Albuquerque

Fred Nathan, Executive Director, Think New Mexico

Fred O'Cheskey, Southwest Public Affairs, LLC

Alex Romero, President and Chief Executive Officer, Albuquerque Hispano Chamber of Commerce

Joshua Rosen, Chief of Staff, State of New Mexico, Office of Lt. Governor Diane Denish

Allen Sanchez, President and Chief Executive Officer, St. Joseph Community Health

David S. Smoak, President, RSF Land and Cattle Co.

Mark Thompson, Lieutenant Governor, Acoma Pueblo

Tony Trujillo, Government Relations Director, Freeport McMoRan Copper and Gold

Thom Turbett, President and Chief Executive Officer, Independent Insurance Agents of New Mexico

Jerry Walker, President and Chief Executive Officer, Independent Community Bankers Association of New Mexico

Michelle Welby, Director, Medical Operations, Molina Healthcare of New Mexico

Chuck Wellborn, Wellborn Strategies, LLC

Carol Wight, Chief Executive Officer, New Mexico Restaurant Association